

Message Text

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C O N F I D E N T I A L LISBON 4556

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E.O. 11652: GDS
TAGS: MARR PFOR PO
SUBJECT: AZORES BASE NEGOTIATIONS

1. AT UK RECEPTION JUNE 8 HAD BRIEF CONVERSATION WITH FONMIN MEDEIRAS FERREIRA ON AZORES NEGOTIATIONS. HE NEVER CONTACTED ME AS SOARES HAD INDICATED HE WOULD, BUT REASON BECAME CLEAR DURING COURSE OF CONVERSATION. MEDEIRAS FERREIRA WAS MIFFED THAT I HAD GONE TO SOARES. I ASSURED HIM WE HAD NO INTENT OF BYPASSING HIM, BUT CONNECTION WITH LOAN MADE IT IMPORTANT FOR ME TO ADVISE PM, WHO HAD PERSONALLY HANDLED LOAN NEGOTIATIONS. MEDEIRAS FERREIRA SEEMED SOMEWHAT MOLLIFIED, NOTED THAT IT WAS ESSENTIAL TO AVOID ANY PUBLIC CONNECTION BETWEEN LOAN AND AZORES AND ASSURED ME HE WAS PREPARED TO GIVE ME HIS FULL COOPERATION ("AS YOU KNOW MY DOOR IS OPEN").

2. MEDEIRAS FERREIRA CONFIRMED JUNE 17 DATE FOR OUR NEXT SESSION. HE SAID HE WAS TRYING TO SCALE DOWN ASPIRATIONS OF AZOREANS WHO WERE STILL LOCKED ONTO \$400 MILLION FIGURE. I POINTED OUT THAT THIS FIGURE HAD BEEN REACHED IN LAST NEGOTIATIONS BY MIRRORS, AND HE AGREED. I ALSO TOLD HIM \$120 MILLION IN GRANTS REPRESENTED REAL CONTRIBUTION AND IT WOULD BE GOOD IF HE COULD GET AZOREANS TO FOCUS ON SPECIFIC PROJECTS RATHER THAN GLOBAL FIGURES. HE SAID THIS WAS HIS STRATEGY, AND IT WAS TO HAVE MORE TIME TO EXAMINE SPECIFIC PROJECTS THAT HE HAD REQUESTED POSTPONEMENT OF
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OUR EARLIER MEETING.

3. I REEMPHASIZED TO HIM THAT AZOREAN EXPECTATIONS GREATLY EXCEEDED THEIR CAPACITY. MEDEIRAS FERREIRA SAID THIS WAS A DIFFICULT ISSUE FOR THE GOP TO TACKLE. THEIR POLITICAL PROBLEMS WITH THE AZOREANS WERE EXTREMELY DELICATE. FOR THIS REASON HE PROPOSED THAT OUR JUNE 17 MEETING BE WITH THE INTERAGENCY TASK

FORCE, INCLUDING AZOREANS - BUT ON A STRICTLY INFORMAL BASIS. HE HOPED I WOULD BE PREPARED TO INDICATE TO THE AZOREANS THAT USG ASSISTANCE HAD ITS LIMITS. IF THEY COULD BE BROUGHT TO UNDERSTAND THAT, THE REST WAS EASY. THE GOP WAS NOT RAISING ANY ISSUES WITH REGARD TO THE USE OF THE BASE. ALL THAT WAS UNDER NEGOTIATION WAS THE QUID. I TOLD HIM I WOULD BE PREPARED TO PARTICIPATE IN SUCH A SESSION, AND THOUGHT OUR VISITORS FROM WASHINGTON WOULD BE PREPARED TO PARTICIPATE AS WELL.

4. COMMENT: MEDEIRAS FERREIRA DID NOT RAISE AS MANY PROBLEMS AS I THOUGHT HE MIGHT GIVEN HIS COMPLEXES AND FACT THAT HE IS AZOREAN. I SUSPECT HE GOT A RATHER STRONG SIGNAL FROM SOARES. IT IS ALSO CLEAR FROM HIS COMMENTS AND FROM WHAT SOARES AND VILLAS BOAS HAVE TOLD ME THAT THE KEY TO THIS NEGOTIATION IS FOR US TO FIND A WAY TO TAKE THE GOP OFF THE POLITICAL HOOK WITH THE AZOREANS. THIS MAY REQUIRE THE USE OF SOME CCC OR EXIM CREDITS TO BRING THE GLOBAL FIGURE TO A LEVEL THAT WOULD ENABLE THE AZOREAN NEGOTIATORS IN TURN TO BACK DOWN GRACEFULLY FROM THE EXTREME POSITIONS THEY HAVE TAKEN.

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